

Message Text

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PAGE 01 LONDON 16411 01 OF 03 031446Z

ACTION AGRE-00

INFO OCT-01 IO-14 AF-10 ARA-14 EA-12 EUR-12 NEA-10

ISO-00 L-03 FRB-01 OMB-01 ITC-01 SP-02 USIA-15

AID-05 CIAE-00 COME-00 EB-08 INR-07 LAB-04

NSAE-00 OIC-02 SIL-01 STR-05 TRSE-00 CEA-01 SS-15

PA-02 PRS-01 NSC-05 (ISO) W

-----025631 032031Z /45

P R 031421Z OCT 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8912

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY CANBERRA

AMEMBASSY CAIRO

AMEMBASSY COPENHAGEN

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AMEMBASSY PRETORIA

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

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PAGE 02 LONDON 16411 01 OF 03 031446Z

AMEMBASSY TOKYO

AMEMBASSY VALLETTA

USMISSION GENEVA

UNCLAS SECTION 01 OF 03 LONDON 16411

USEEC ALSO FOR EMBASSY

USOECN ALSO FOR EMBASSY
USMTN ALSO FOR MISSION

DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: IWC PREP GROUP DISCUSSIONS: INTRODUCTION OF
US PAPER

REF: STATE 234875

1. DURING THE AFTERNOON SESSION OF THE SECOND DAY, US
REP. (HATHAWAY) MADE AN INTRODUCTORY STATEMENT FOR THE
US PAPER, POSSIBLE ELEMENTS OF AN INTERNATIONAL WHEAT
AGREEMENT. THE PAPER HAD BEEN DISTRIBUTED TO PARTICI-
PANTS SEVERAL DAYS EARLIER. THE TEXT OF THE STATEMENT IS
AS FOLLOWS:

INTRODUCTORY STATEMENT BY DR. HATHAWAY

1. A PAPER BY THE US ON POSSIBLE ELEMENTS OF A NEW
INTERNATIONAL WHEAT AGREEMENT HAS BEEN CIRCULATED TO
PARTICIPANTS IN THIS MEETING. I WOULD LIKE TO MAKE A
FEW REMARKS BY WAY OF INTRODUCTION OF THAT PAPER.

2. THE WORLD WHEAT SITUATION HAS UNDERGONE PROFOUND
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PAGE 03 LONDON 16411 01 OF 03 031446Z

CHANGES IN RECENT YEARS. DEMAND FOR FOOD HAS GROWN
RAPIDLY DUE TO INCREASED POPULATION AND INCOME. IT
WOULD APPEAR THAT THE SITUATION OF CHRONIC OVER-SUPPLY
IN COMMERCIAL MARKETS WHICH PREVAILED IN THE 1950'S
AND 1960'S IS UNLIKELY TO RETURN. IN THE PAST, A
LIMITED GROUP OF COUNTRIES GENERALLY CARRIED THE
BURDEN OF PROVIDING STABILITY TO THE WORLD MARKET. THIS
SITUATION CANNOT BE ASSUMED TO BE THE CASE IN THE
FUTURE. THE RISK OF UNSTABLE MARKET CONDITIONS HAS
INCREASED, AND WE MUST NOW ESTABLISH A BASIS FOR
INTERNATIONAL COOPERATION TO PREVENT EXTREME INSTABILITY.

3. IN THIS NEW SETTING, WE BELIEVE THAT THE BASIC
FRAMEWORK AND FEATURES OF AN INTERNATIONAL WHEAT
AGREEMENT MUST ALSO CHANGE. WE ARE SUGGESTING THE NEED
FOR A VERY DIFFERENT TYPE OF WHEAT AGREEMENT FROM THOSE
WHICH HAVE BEEN NEGOTIATED IN THE PAST.

4. IN DEVELOPING THIS NEW FRAMEWORK, WE HAVE BENEFITTED
FROM THE PREVIOUS WORK OF THIS PREPARATORY GROUP AND THE
IWC SECRETARIAT. WE HAVE ALSO BENEFITTED FROM THE IDEAS
AND PROPOSALS OF OTHER NATIONS. OUR PAPER ATTEMPTS TO

COMBINE THOSE ELEMENTS WHICH THE US GOVERNMENT BELIEVES
ARE NECESSARY TO FORM THE BASIS OF A WORKABLE INTER-
NATIONAL WHEAT AGREEMENT. I WOULD LIKE TO STRESS
WORKABLE. THERE MIGHT BE OTHER ELEMENTS THAT WERE
CONCEPTUALLY DESIRABLE BUT IN REALITY WOULD BE
UNWORKABLE. THE WORLD NEEDS THE PROTECTION OF A
WORKABLE AGREEMENT.

5. PREVIOUS AGREEMENTS REQUIRED THAT PARTICIPATING
NATIONS INTERVENE DIRECTLY, WHEN NECESSARY, IN SETTING
WHEAT TRADING PRICES. THIS APPROACH HAS FAILED
CONSISTENTLY IN THE PAST. IT WOULD NOT APPEAR FEASIBLE
IN A NEW AGREEMENT. INSTEAD, WE BELIEVE A NEW AGREE-
MENT SHOULD INCLUDE MEASURES WHICH DIRECTLY INFLUENCE
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PAGE 04 LONDON 16411 01 OF 03 031446Z

SUPPLY AND DEMAND FOR WHEAT. WE BELIEVE THIS PROVIDES

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PAGE 01 LONDON 16411 02 OF 03 031445Z
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PA-02 PRS-01 NSC-05 /152 W
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P R 031421Z OCT 77
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PAGE 02 LONDON 16411 02 OF 03 031445Z

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UNCLAS SECTION 02 OF 03 LONDON 16411

THE ONLY REALISTIC BASIS FOR MODERATING PRICE SWINGS.

6. PAST AGREEMENTS RESTED HEAVILY ON QUANTITATIVE COMMITMENTS ON TRADE FLOWS BETWEEN MEMBER COUNTRIES. SUCH AN APPROACH CREATES RIGIDITIES IN THE WORLD MARKET AND IGNORES BASIC SUPPLY AND DEMAND FACTORS. INSTEAD, WE BELIEVE THAT GREATER SUPPLY SECURITY CAN BE ACHIEVED BY RESERVE STOCKS, COMMITMENTS TO SHARE THE BURDEN OF ADJUSTMENT, AND BROAD COMMITMENTS ON SUPPLY ACCESS.

7. PAST AGREEMENTS MADE A SHARP DISTINCTION BETWEEN IMPORTING AND EXPORTING COUNTRIES. BUT TODAY THERE ARE MAJOR COUNTRIES WHO SOMETIMES IMPORT AND SOMETIMES EXPORT, AND SOME VERY IMPORTANT COUNTRIES WHO REGULARLY DO BOTH. FOR THIS REASON, A NEW APPROACH IS NEEDED. A NEW AGREEMENT SHOULD INCLUDE MEASURES WHICH ARE APPLICABLE TO ALL PARTICIPATING COUNTRIES REGARDLESS OF THEIR STATUS AS EXPORTERS OR IMPORTERS.

8. PAST AGREEMENTS PLACED CONSIDERABLE EMPHASIS ON SPECIFIC PRIVILEGES TO BE SHARED EXCLUSIVELY BY MEMBER COUNTRIES. INSTEAD, WE BELIEVE WE SHOULD FIRST STRIVE

TO DEVELOP AN AGREEMENT IN WHICH ALL WHEAT TRADING COUNTRIES WILL BE ABLE TO PARTICIPATE. INDEED, WE HOPE THAT ALL COUNTRIES WILL WANT TO JOIN BECAUSE THEY WOULD
UNCLASSIFIED

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PAGE 03 LONDON 16411 02 OF 03 031445Z

RECOGNIZE THAT THE BENEFITS FROM SUCH COLLECTIVE ACTION WOULD EXCEED THE CONTRIBUTIONS REQUIRED. IF SUCH WIDESPREAD PARTICIPATION PROVES IMPOSSIBLE, MORE SPECIFIC GUIDELINES ON THE TREATMENT OF NON-PARTICIPANTS MAY HAVE TO BE DISCUSSED.

9. PAST AGREEMENTS HAVE HAD ONLY RUDIMENTARY MECHANISMS RELATING TO FOOD AID. THESE MECHANISMS HAVE PROVIDED ONLY MODEST PROTECTION FROM THE VAGARIES OF THE PAST FEW YEARS AND THE TREMENDOUS BURDEN THESE CREATED FOR DEVELOPING COUNTRIES. WE BELIEVE A COMPREHENSIVE APPROACH TO PROVIDING GREATER FOOD SECURITY IS NEEDED AS PART OF AN AGREEMENT. THIS SHOULD INCLUDE MORE EFFECTIVE MEANS TO ASSURE ADEQUATE AND TIMELY FOOD ASSISTANCE IN A CONTEXT OF GROWING FOOD DEFICITS IN THE POOREST PARTS OF THE DEVELOPING WORLD.

10. THE FRAMEWORK WHICH WE HAVE DEVELOPED INCLUDES SEVERAL FORMS OF COOPERATIVE ACTION. IT PROVIDES FOR SPECIFIC, MEASURABLE OBLIGATIONS FOR RESERVE STOCKS ACTIONS AND, WHEN ADDITIONAL ACTION IS REQUIRED, FOR MEASURES TO ALLOW ADJUSTMENT OF UTILIZATION. FURTHERMORE, IT INCLUDES COMMITMENTS ON ACCESS TO SUPPLIES AND CONSULTATIVE PROCEDURES FOR ADDITIONAL MEASURES DURING EXTREMELY LOW PRICE SITUATIONS.

11. MANY OF THESE ELEMENTS WOULD INVOLVE SUBSTANTIAL DEPARTURES FROM PREVIOUS AGREEMENTS. WE ARE WILLING TO EXPLORE WAYS TO MAKE THESE CONCEPTS OPERATIVE WITHIN THE CONTEXT OF VARIOUS, DIFFERING SYSTEMS. WE FEEL CONFIDENT THAT THE CONCEPTS AND IDEAS PRESENTED ARE SOUND. WE FEEL THAT THE BASIC ELEMENTS REPRESENTED - TAKEN TOGETHER - WILL BE ABLE TO MEET THE FUTURE CHALLENGE OF PROVIDING MARKET STABILITY IN A BALANCED AND EFFECTIVE MANNER.

12. WE FEEL THAT THE ELEMENTS IN OUR PAPER PROVIDE A
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PAGE 04 LONDON 16411 02 OF 03 031445Z

BALANCE OF OBLIGATIONS AND BENEFITS. DEFICIT COUNTRIES

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PAGE 01 LONDON 16411 03 OF 03 031437Z
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PAGE 02 LONDON 16411 03 OF 03 031437Z

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UNCLAS SECTION 03 OF 03 LONDON 16411

WOULD CONTRIBUTE BY PARTICIPATING IN JOINT ACTIONS ON RESERVES AND, WHEN NECESSARY, PERMITTING UTILIZATION ADJUSTMENTS. BUT THESE CONTRIBUTIONS WOULD BE MORE THAN BALANCED BY ASSURANCE OF ACCESS TO THE SUPPLIES OF SURPLUS-PRODUCING COUNTRIES AND BY GREATLY REDUCED RISK OF EXTREMELY HIGH PRICES. SURPLUS-PRODUCING COUNTRIES, ON THE OTHER HAND, WOULD CONTRIBUTE BY PROVIDING FULL ACCESS TO THEIR SUPPLIES AND BY JOINT ACTIONS ON RESERVES. AND THESE CONTRIBUTIONS WOULD BE MORE THAN BALANCED BY OPPORTUNITIES FOR LARGER MARKETS WHEN WORLD SUPPLIES ARE HEAVY AND BY REDUCED RISK OF EXTREME LOW PRICES FOR WORLD WHEAT PRODUCERS.

13. FINALLY, I WOULD LIKE TO SAY THAT THIS PROPOSAL CONSTITUTES ONLY A PART OF A COMPREHENSIVE APPROACH TO INTERNATIONAL GRAINS ISSUES. A PERMANENT REDUCTION IN TRADE BARRIERS FOR GRAINS IS A CRITICAL ISSUE WHICH ALSO MUST BE DEALT WITH. IN THIS CONNECTION, PROGRESS IN THE MTN IS ESSENTIAL.

14. I HOPE THAT IN THE COMING DAYS WE CAN HAVE A THOROUGH DISCUSSION OF THE ELEMENTS WE HAVE PROPOSED FOR INCLUSION IN AN AGREEMENT AND THAT MY DELEGATION AND I CAN HAVE THE OPPORTUNITY TO ADDRESS QUESTIONS WHICH YOU MIGHT HAVE.
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PAGE 03 LONDON 16411 03 OF 03 031437Z

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
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Disposition Approved on Date:
Disposition Case Number: n/a
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Executive Order: N/A
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 740290
Secure: OPEN
Status: NATIVE
Subject: IWC PREP GROUP DISCUSSIONS: INTRODUCTION OF US PAPER
TAGS: EAGR, US
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/4e70a423-c288-dd11-92da-001cc4696bcc
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